

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

NOV 03 1988

Dear Sir or Madam:

We have considered your application for exemption from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code.

The information submitted indicates that you were founded by your Constitution dated [REDACTED].

Your primary purpose, as stated in your Constitution, is to serve as a support organization for users of [REDACTED] software which includes information exchange and interfacing between [REDACTED] users and the vendor regarding problems.

You are a membership organization open to anyone who has a contractual licensing agreement or sublicensing agreement with [REDACTED] for the use of the [REDACTED] software package and a software maintenance agreement.

Members have a traditional buyer/seller relationship with [REDACTED] being the seller. There is also a fee charged by [REDACTED] to all users of the [REDACTED] software package for telephone support and update tapes.

Your activities include holding an annual convention of which the majority consists of workshops focusing on specific portions of the [REDACTED] software. In the past, the speaker has been the President of [REDACTED]. [REDACTED] staff also provide one workshop and there are workshops conducted by the organization's more expert members. You also represent Users Group in areas of common concern with [REDACTED]. You coordinate research and development in order to offer assistance to [REDACTED] to create new programs tailored to your needs.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname	[REDACTED]	[REDACTED]	[REDACTED]				
Date	10-13-88	10/20/88	11-3-88				

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of business leagues not organized for profit, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the income tax regulations defines a business league as an association of persons having some common business interest, the purpose of which is to promote such common interest. Its activities should be directed towards the improvement of business conditions in one or more lines of business as distinguished from the performance of particular services for individual persons.

Revenue Ruling 74-147, 1974-1 C.B. 136, holds that a nonprofit organization, whose members represent diversified businesses that own, rent, or lease digital computers produced by various manufacturers, and that is organized to improve the efficiency of its members use of computers, qualifies for exemption under 501(c)(6) of the Code. The common business interest is their common business problem concerning the use of digital computers made by diverse and competing manufacturers.

Revenue Ruling 83-164, 1983-2 C.B. 95, holds that a nonprofit organization, whose members represent diversified businesses that own, rent, or lease computers produced by a single computer manufacturer does not qualify for exemption as a business league because it failed the "line of business" test.

In *National Muffler Dealers Association, Inc. v. United States*, 440 U.S. 472, Ct. D. 1997, 1979-1 C.B. 198 (1979), the U.S. Supreme Court held that an organization of muffler dealers franchised by Midas International Corporation does not qualify for exemption from Federal income tax as a business league under section 501(c)(6) of the Code because the organization's purpose was too narrow to satisfy the line of business test. The Court concluded that exemption is not available to aid one group in competition with another within an industry.

Organizations that have failed to meet the line of business test but instead were found to have served only a "segment of a line" include groups composed of businesses that have licenses to a single patented product. See Revenue Ruling 58-294, 1958-1 C.B. 244.

The term "line of business" has been interpreted to mean either an entire industry or all components of an industry within a geographic area.

Your membership is restricted to [REDACTED] software package users. Its activities provide a method for the dissemination of information to users of the computer software package sold by [REDACTED].

[REDACTED]

Based on the foregoing, we hold that you are not operated exclusively to promote a common business interest in one or more lines of business. Therefore, we conclude that you do not qualify for exemption under Section 501(c)(6) of the Code.

You are required to file Federal income tax returns on Form 1120. If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional Office, or if you request, at any mutually convenient District office. If we do not hear from you within 30 days of the date of this letter, this determination will become final.

Sincerely yours,

[REDACTED]

District Director

Enclosure: Publication 892